

Eyeopener

Retail sales slumped in September

Today Statistical Bulletin for September, consumer sentiment for October
 Surprising and difficult to explain slump in retail sales in September
 High general government deficit in 2Q
 The Council of Ministers passed a bill on the Fiscal Council
 Weak risk appetite, but zloty stable, steepening curves

Today, we will see October consumer sentiment data, as well as the September Statistical Bulletin, which will include information on e.g. the unemployment rate. We expect that unemployment remained at 5.0%, in line with the market consensus, as well as the estimates of the Ministry of Family, Labour and Social Policy. In addition, in the US, there will be data on September home sales, which, according to the consensus, increased by 1.0% m/m.

The growth rate of retail sales unexpectedly dropped in September to -3.0% y/y from 2.6% y/y in August, well below the consensus of 2.2% y/y and our forecast of 2.5% y/y. In seasonally-adjusted terms sales fell 6.7% m/m after advancing 1.9% m/m in August. Both durables and non-durables contributed to the decline. However, the main source of the negative surprise seems to have been food, whose dynamics plunged from -0.4% y/y to -7.6% y/y. The first explanation for the decline in retail sales that springs to mind is the flood that occurred in southern Poland last month. However, our analysis of Santander Bank clients' cards expenditures showed a way less pronounced effect. It seems that other factors may have been in play. Although the decline in retail sales in September will most likely negatively affect 3Q GDP results, **the weakening of consumption should only be temporary**, and - given the strong growth of wages and the historically low unemployment - likely does not reflect structural effects. Read more in our [Economic Comment](#).

According to the Ministry of Climate and Environment, an extension of the electricity price cap for 2025 would cost the state budget PLN4.4bn, and an extension of the energy voucher PLN1bn. Minister P. Hennig-Kloska added that the Economic Committee of the Council of Ministers is yet to determine the final budget for household support regarding energy prices, but the extension of the support in some form is certain.

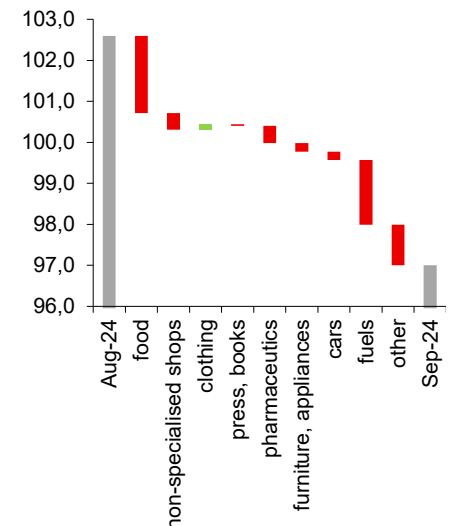
In September, Polish M3 money supply increased by 6.5% y/y, in line with our forecast and a bit less than the market had expected (6.6% y/y). The slowdown from 7.8% y/y in August was due to a base effect, with exceptionally high monthly growth of cash in circulation (+2.4% m/m in Sep'23 vs. 1.3% in Sep'24) and deposits (1.9% m/m or PLN35bn in Sep'23 vs. 0.4% or PLN9bn in Sep'24). Household deposit growth fell to 8.7% y/y in September from 10.2% y/y in August, mainly due to term deposits. Corporate deposits fell y/y by 1.7%. The value of loans, adjusted for the exchange rate effect, increased 4.4% y/y, up from August's 4.3% y/y, and is growing the fastest in two years. Acceleration was seen in corporate loans, to 4.4% y/y from 3.7% y/y, while loans to individuals kept growing at 3.8% y/y. PLN-denominated consumer loan growth stayed slightly below 6% y/y for the third month running while PLN-denominated mortgage loans increased the pace to 9.5% y/y from 9.4% y/y. The credit data tell us that households and companies are willing to increase consumption and expand economic activity, although loan growth rates are moderate.

In 2Q, revenues of the general government sector increased by 5.0% y/y, and expenditures by 13.6% y/y. The deficit for the first two quarters of this year amounted to PLN66bn, which is clearly higher than a year earlier (PLN36bn). The draft of the Budget Act for 2025 assumes that 2024 will end with a GG deficit of 5.7% of GDP, i.e. about PLN200bn, but the fiscal notification sent to EU assumes a slightly higher deficit of about PLN208bn (statistical office has also revised slightly upwards the deficit estimates for recent years). Public investments increased in 2Q24 by 33.0% y/y in nominal terms, thus confirming our assumption that the unexpected acceleration in total investment in 2Q to +2.7% y/y from -1.8% y/y in real terms resulted from public investments.

The Council of Ministers adopted a draft law on the Fiscal Council. The draft assumes a creation of an expert and independent institution, in accordance with EU requirements. The council is to start its activities in 2026 and consist of 7 independent experts. The Council's key tasks will include assessing macroeconomic forecasts for fiscal laws and assessing the coherence and effectiveness of the fiscal framework. The Council will have 14 days to issue an opinion. The Minister of Finance will be obliged to comply with the Council's opinion or explain the reasons for non-compliance within 2 months. For the first time, the Council will give its opinion on the draft state budget for 2027.

EURPLN is testing resistance levels. Yesterday was once again marked by a sell-off on the stock markets and a strengthening of the dollar. The EURPLN exchange rate fell to approx. 1.08. In such an environment, the EURPLN exchange rate fluctuated in a narrow range near 4.32, while the forint and the koruna gained slightly. On the interest rate market curved recorded steepening. FRA rates fell slightly on most maturities and rates declined also for the short end of IRS and bond yield curves. For longer maturities of 5-10 years, an increase in yields was observed and a similar situation occurred on the core markets, where anticipation of the US election still dominates market sentiment.

Retail sales, breakdown of the change in the annual growth rate, % y/y



Source: GUS, Santander

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FX market

Today's opening			
EURPLN	4.3269	CZKPLN	0.1713
USDPLN	4.0085	HUFPLN*	1.0677
EURUSD	1.0793	RUBPLN	0.0415
CHFPLN	4.6187	NOKPLN	0.3663
GBPPLN	5.1994	DKKPLN	0.5800
USDCNY	7.1325	SEKPLN	0.3793

*for 100HUF

Last session in the FX market					22/10/2024
	min	max	open	close	fixing
EURPLN	4.3089	4.3246	4.3174	4.3197	4.3159
USDPLN	3.9761	4.0005	3.9896	3.9978	3.9862
EURUSD	1.0800	1.0837	1.0820	1.0804	

Interest rate market 22/10/2024

T-bonds on the interbank market**		
Benchmark (term)	%	Change (bps)
OK0426 (2Y)	5.01	-3
WS0429 (5Y)	5.44	4
DS1033 (10Y)	5.78	9

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	5.58	-6	4.44	-1	2.52	-4
2L	5.12	-10	4.12	0	2.36	2
3L	4.92	-6	4.01	1	2.28	-1
4L	4.88	-4	3.97	0	2.32	3
5L	4.91	-2	3.96	2	2.34	3
8L	5.01	2	3.97	0	2.40	2
10L	5.09	3	4.01	0	2.45	2

WIBOR rates

Term	%	Change (bps)
O/N	5.66	4
T/N	5.76	-1
SW	5.82	-1
1M	5.85	4
3M	5.85	0
6M	5.85	0
1Y	5.73	0

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	5.83	-2
3x6	5.76	-4
6x9	5.37	-8
9x12	4.89	-13
3x9	5.73	-2
6x12	5.31	-9

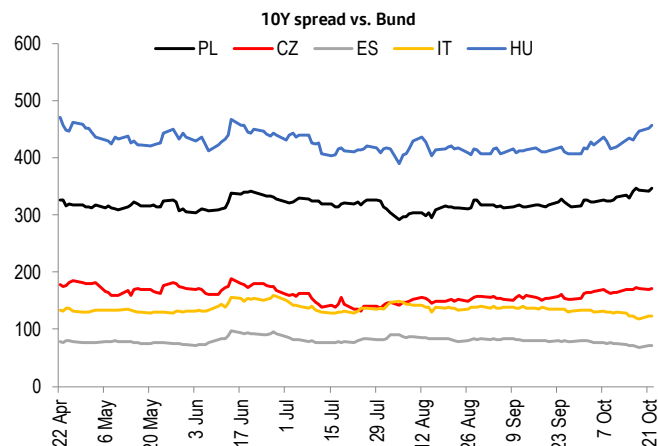
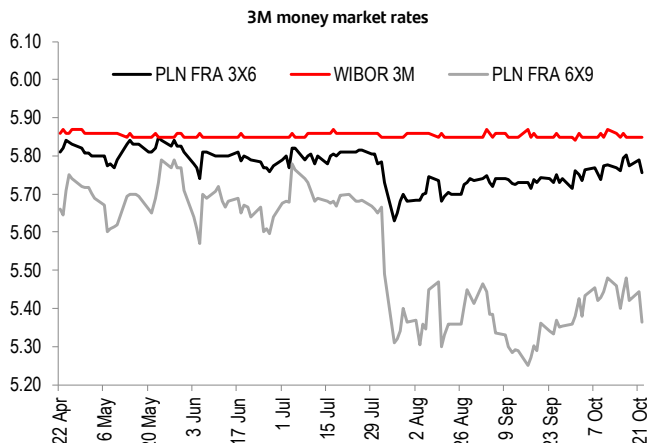
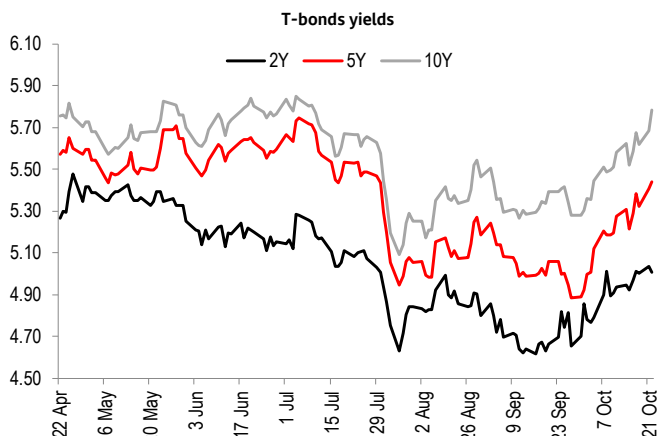
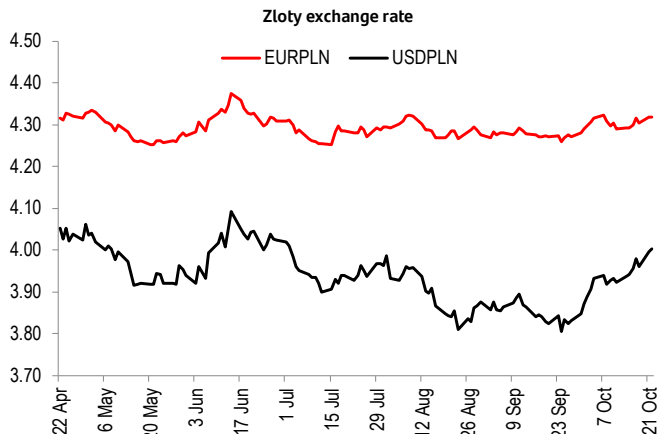
CDS rates and 10Y yield spread vs. German Bund

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	68	-1	347	6
France	16	0	74	1
Hungary	128	0	456	4
Spain	30	0	71	-1
Italy	24	0	124	1
Portugal	18	0	45	-1
Ireland	12	0	36	0
Germany	5	0	-	-

* 10Y treasury bonds over 10Y Bunds

**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream



Calendar of events and publications

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
FRIDAY (18 October)								
14:30	US	Housing Starts	Sep	% m/m	-0.4	-	-0.5	7.8
MONDAY (21 October)								
10:00	PL	Employment in corporate sector	Sep	% y/y	-0.5	-0.5	-0.5	-0.5
10:00	PL	Average Gross Wages	Sep	% y/y	11.1	11.2	10.3	11.1
10:00	PL	Sold Industrial Output	Sep	% y/y	0.6	1.1	-0.3	-1.2
10:00	PL	Construction Output	Sep	% y/y	-9.8	-8.7	-9.0	-9.6
10:00	PL	PPI	Sep	% y/y	-5.7	-5.7	-6.3	-5.5
TUESDAY (22 October)								
10:00	PL	Retail Sales Real	Sep	% y/y	2.2	2.5	-3.0	2.6
14:00	HU	Central Bank Rate Decision	Oct	%	6.50	6.50	6.50	6.50
14:00	PL	Money Supply M3	Sep	% y/y	6.6	6.5	6.5	7.8
WEDNESDAY (23 October)								
10:00	PL	Unemployment Rate	Sep	%	5.0	5.0	-	5.0
16:00	US	Existing Home Sales	Sep	% m/m	1.0	-	-	-2.5
THURSDAY (24 October)								
09:30	DE	Germany Manufacturing PMI	Oct	pts	40.8	-	-	40.6
09:30	DE	Markit Germany Services PMI	Oct	pts	50.9	-	-	50.6
10:00	EZ	Eurozone Manufacturing PMI	Oct	pts	45.3	-	-	45.0
10:00	EZ	Eurozone Services PMI	Oct	pts	51.7	-	-	51.4
14:30	US	Initial Jobless Claims	weekly	k	259	-	-	241
16:00	US	New Home Sales	Sep	% m/m	-0.42	-	-	-4.7
FRIDAY (25 October)								
10:00	DE	Ifo Business Climate	Oct	pts	85.8	-	-	85.4
14:30	US	Durable Goods Orders	Sep	% m/m	-0.9	-	-	0.0
16:00	US	Michigan index	Oct	pts	69.5	-	-	68.9

Source: Santander Bank Polska. Bloomberg. Parkiet

* in the case of a revision the data is updated

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